

Testimony by Ella Wood, March 22, 2016, Finance Committee

Good Afternoon, Chairman, ranking members, and members of the Finance Committee:

My name is Ella Wood. I graduated last year from Yale College, and currently work as a research analyst for UNITE HERE. As a student on financial aid at Yale, I was frustrated seeing that even quick endowment growth at the university didn't relieve the financial burdens placed on me and my peers. In fact, many of the educational resources I came here for were stretched thinner and thinner, while the financial aid office asked me to work more hours every year.

The goal of SB 413 is to encourage Yale University to invest in Connecticut's economy, to stimulate the new technology sector, to support higher education, and to offset the skyrocketing cost of tuition.

It does this by classifying endowment earnings above inflation which are retained and not spent as "unrelated business income." All universities currently pay an "unrelated business income tax." The university could avoid the tax entirely through increased endowment spending.

I want to emphasize that this will not hurt the endowment. The endowment principal is protected. Endowment growth, up to the rate of inflation, is also protected. Furthermore, endowment growth that is spent on Yale's educational mission is also protected. The only part of the endowment growth that would be classified as unrelated business income is the unspent, post-inflation growth. In any year when Yale's endowment grows less than the amount that Yale spends, or less than inflation, there will be zero impact from SB413.

You might wonder why the bill only affects Yale. On this, the state is taking its lead from the Republican leadership in the U.S. Congress. U.S. Senator Hatch (R-UT) and Reps. Kevin Brady (R-TX) & Peter Roskam (R-IL) are conducting an inquiry into these policies, by investigating endowments with over \$1 billion. In CT, this inquiry only impacts Yale. Yale's endowment is currently valued at \$25.6 billion, while the next two closest are much smaller: Wesleyan has \$839 million and Trinity College has \$562 million. SB 413 only affects university endowments of over \$10 billion, so these other institutions have plenty of room to grow.

Let me provide a few numbers for context: Yale spends approximately \$1 billion each year from its endowment. By contrast, Yale's endowment grew by \$2.6 billion in 2015, by \$4 billion in 2014, and by \$2.3 billion in 2013. All told, over the past three years, Yale has spent \$3 billion while Yale's endowment has brought in \$9 billion. Yale could do more.

Meanwhile, Yale's tuition plus room & board has been increasing faster than inflation: it was \$31,940 in 2000, and is \$60,544 today, almost doubling. During the same period, the endowment more than doubled, growing from \$10.1 billion in 2000 to \$25.6 billion today.

In Congress, Rep. Tom Reed (R-NY) has proposed the REDUCE act, federal legislation to require increased spending at universities with large endowments. SB 413 is much more modest, as it includes an incentive rather than a requirement of higher spending. It protects the tax-exempt status of the Yale endowment principal, its inflation-protected growth, and any amount spent on operations.

When SB 413 passes, Yale will have a stronger incentive to provide financial aid to its students, and to create innovative jobs for the future of Connecticut's economy. We urge your support.